UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/CN.3/1993/7
13 January 1993

ORIGINAL: ENGLISH

Statistical Commission
Twenty-seventh session
22 February-3 March 1993
Item 5 (a) of the provisional agenda*

INTERNATIONAL ECONOMIC CLASSIFICATIONS

IMPLEMENTATION OF THE INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION OF ALL ECONOMIC ACTIVITIES (ISIC), REV.3, AND THE PROVISIONAL CENTRAL PRODUCT CLASSIFICATION (CPC)

Implementation of ISIC, Rev.3, the provisional CPC and other classification work

Report of the Secretary-General

SUMMARY

The present report (a) reviews work carried out as well as work still to be accomplished to implement the International Standard Industrial Classification of All Economic Activities (ISIC), Rev.3, and the provisional Central Product Classification (CPC); (b) describes the inventory of statistical classifications maintained by the United Nations Statistical Division; and (c) outlines additional development work to be done on functional classifications.

Section I deals with the work on economic classifications carried out over the past two years by the Statistical Division of the United Nations. It first reviews the development of correspondence tables between ISIC, Rev.3, CPC, SITC, Rev.3 and HS (paras. 4-5); the indexes to ISIC, Rev.3 (paras. 6-8);

* E/CN.3/1993/1.

and the links between ISIC, Rev.3 and the activity classifications used in the past by transition economy countries (paras. 9-13). It then presents the results of a recent survey on the use of ISIC and CPC (paras. 14-29), reviews the non-statistical uses of CPC (paras. 30-31) and provides information on the Statistical Division's inventory of existing international statistical classifications (para. 31).

Section II deals with future work on classifications. It reviews further work on ISIC, Rev.3 and CPC (paras. 35-37) and makes a number of detailed proposals for work on functional classifications, taking as its point of departure the outline of functional classifications developed as part of the revised SNA (paras. 38-42).

Section III presents points for discussion by the Commission (para. 43).

CONTENTS

	Paragraphs	Page
INTRODUCTION	1	4
I. ISIC, Rev.3, CPC AND RELATED WORK	2 - 31	4
A. Implementation of ISIC, Rev.3, and CPC	2 - 13	4
1. Correspondence tables between ISIC, Rev.3, CPC, SITC, Rev.3 and HS	4 - 5	4
2. Indexes to ISIC, Rev.3	6 - 8	5
3. Application of ISIC, Rev.3 and CPC in transition economy countries	9 - 13	6
B. Evaluation of uses	14 - 31	7
1. Survey questionnaire on the uses of ISIC, Rev.3 and CPC	14 - 28	7
(a) Organization of national classification work	19 - 20	8
(b) ISIC, Rev.3	21 - 26	9
(c) CPC	27 - 28	11
2. Non-statistical uses of CPC	29 - 30	13
C. Related activities	31	13
II. FUTURE WORK ON CLASSIFICATIONS	32 - 41	14
A. Further work on ISIC, Rev.3, and CPC	34 - 36	14
B. Development of classifications for functional analysis	37 - 41	15
III. POINTS FOR DISCUSSION	42	17

INTRODUCTION

1. The Statistical Commission, at its twenty-sixth session, endorsed the work on international classifications and reconfirmed the request made at its twenty-fifth session that the Secretary-General submit to the Commission, at its twenty-seventh session, a progress report reviewing national and international requirements and actual work carried out to implement the third revision of the International Standard Industrial Classification of All Economic Activities (ISIC, Rev.3) and the provisional Central Product Classification (CPC). 1/ The Commission also strongly endorsed the proposed work on developing indexes, conversion keys, correspondence tables and related aids for the implementation of ISIC, Rev.3, and the provisional CPC, in close cooperation with other international organizations and Member States. 2/ The present report has been prepared in response to both the requests of the Commission and its endorsement of the above-mentioned work proposals.

I. ISIC, Rev.3, CPC AND RELATED WORK

A. Implementation of ISIC, Rev.3 and CPC

2. At its twenty-fifth session, the Statistical Commission, in approving ISIC, Rev.3 3/ and the provisional CPC, 4/ requested that additional correspondence tables be worked out to show the relationship between each of the four classifications: ISIC, Rev.3; the provisional CPC; the third revision of the Standard International Trade Classification (SITC, Rev.3); 5/ and the Harmonized Commodity Description and Coding System (HS) 6/ developed by the Customs Cooperation Council (CCC).

3. At its twenty-sixth session the United Nations Statistical Commission emphasized the importance of updating the indexes to ISIC, Rev.3. 7/

1. Correspondence tables between ISIC, Rev.3, CPC, SITC, Rev.3 and HS

4. The work on the correspondence tables is being carried out on the assumption that these tables are intended to facilitate work on compilation and analysis of statistics. For example, the correspondence tables can assist in the compilation of national accounts and related analyses when data from different statistical sources must be brought together for joint analysis. In particular ISIC, Rev.3, CPC, SITC, Rev.3 and HS need to be used jointly in the following instances:

(a) The link between CPC and HS and SITC, Rev.3 is needed for the compilation of national accounts and related analyses, when reconciling data on supply and use of products at the detailed product level. For this compilation, a link is needed between the domestic and external supply of products (production, imports) and their use (exports, consumption and capital formation);

(b) The link between CPC and ISIC, Rev.3 is needed for detailed product/production studies, which are generally based on input-output tables. Specifically, the link is needed to convert a rectangular supply and use table, with industries in the columns and products in the rows, to a square input-output table, which is required for input-output analysis;

(c) The link between CPC, ISIC and SITC, Rev.3/HS is needed to correlate domestic production and foreign trade analyses, and in particular to determine, at the detailed product level, the extent to which domestic production and use is dependent on foreign trade (exports and imports) of a given country.

5. The Statistical Division is developing four distinct correspondence tables sorted according to ISIC, Rev.3, CPC, SITC, Rev.3 and HS. The sorted tables contain codes and corresponding titles of all categories at the different levels of detail for each of the classifications. Each of the correspondence tables includes one column for the classification on the basis of which the table is sorted, called the master classification, and three additional columns for each of the other three classifications. The additional columns include the elements of each other classification that correspond to each item of the master classification. The correspondence tables not only identify links at the most detailed level of the master classification but also permit identification of links between aggregated groupings of the master classification and elements of the other three classifications. The correspondence table based on HS will be treated as the master table. Each of the other three correspondence tables is derived by resorting in a computerized manner the elements of the HS master table on the basis of the column corresponding to one of the other classifications. Future amendments to one or more of the classifications will first be incorporated in the correspondences shown in the HS master table and then reflected in the three other correspondence tables by computerized resorting.

2. Indexes to ISIC, Rev.3

6. Work on the alphabetical and systematic indexes to ISIC, Rev.3 is being carried out by recoding the indexes of ISIC, Rev.2 8/, 9/ to the Rev.3 codes, on the basis of the correspondence tables included in the ISIC, Rev.3 publication. Several steps and various considerations are involved in developing these links.

7. With regard to transportable goods, most items of the alphabetic and systematic indexes to ISIC, Rev. 2, dealing with the production of transportable goods, have been left unchanged. Some items have been deleted by comparing the ISIC, Rev.2 list to some of the major national indexes existing in the English language. Activity categories that were not found in any of the comparable national indexes have in most cases been deleted.

8. A different procedure has been used for updating the part of ISIC, Rev.3 dealing with the production of non-transportable goods and services. First, the codes have been again updated on the basis of ISIC, Rev.3. However, in

addition, a considerable number of activities mentioned in the explanatory notes to the ISIC, Rev.3 have been added. For these service activities the concordance with ISIC, Rev.2 is sometimes difficult to establish, since in many service areas rapid and recent transformations have taken place. In such cases the level of detail between ISIC, Rev.2 and ISIC, Rev.3 is hardly comparable, and the reference to ISIC, Rev.2 cannot be more precise than its classification framework permits. Examples of such problematic areas are: Construction 5000 vs. 4510-4550; wholesale trade and retail sale 6100, 6200 vs. 5110-5190, 5211-5259; education 9310 vs. 8010-8090; health 9331 vs. 8511-8519.

3. Application of ISIC, Rev.3 and CPC in transition economy countries

9. Various kinds of economic activity are classified differently in ISIC, Rev.3 and the Classification of the Branches of the National Economy (CBNE) 10/ of the former Council for Mutual Economic Assistance (CMEA). During the 1980's the Conference of European Statisticians of the Economic Commission for Europe (ECE), together with the Standing Commission on Cooperation in the field of statistics of the former CMEA, worked cooperatively on developing two-way conversion keys as practical instruments for linking the two classifications. They established simple links between activity groups of the two classifications, based on a selection of the optimum level of aggregation.

10. In 1981 the Secretariat of the former CMEA, the Committee on Social Information of Bulgaria and the Central Statistical Office of Finland agreed to conduct a joint experiment on practical testing of draft conversion keys. After completing the experiment in 1983, the ECE secretariat circulated the conversion keys to countries for comments. As a result, a United Nations publication was issued in 1985. 11/ The general principle for the conversion of data consisted in identifying in the converted classification primarily those types of activity which were accounted for in a different manner in the basic classification.

11. Given the dramatic changes which have since occurred in the economic systems of Eastern Europe and in the former USSR, and in view of the recent revisions of both ISIC and CBNE, a need has emerged to revise previous policies and modify the conversion tables. Therefore, a detailed draft of a correspondence table between ISIC, Rev.3 and CBNE has been prepared by the Statistical Division and has been circulated widely for comments. The purpose of the draft correspondence table is to facilitate implementation and use of the new ISIC, Rev.3 in countries that have been using the CBNE but would like to switch to the ISIC, Rev.3, and to ensure that the process of changing to the new classifications shall be as orderly as possible.

12. The draft correspondence table has received support from several transition economy countries and from a number of international organizations. In general, the table has been found useful, since it has enabled transition economy countries to introduce, via the link between their

national classifications and the CBNE, the revised international standards embedded in ISIC, Rev.3. It has also been considered useful for various types of statistical analysis requiring time series spanning the period before and after the transition.

13. Some countries have expressed concern that in the conversion table additional breakdowns have been introduced into both ISIC, Rev.3 and CBNE to create similar groups that have been developed at the lowest level of each classification. On the one hand, this makes the change to the new classification more transparent and easier to manage for computer applications. On the other hand, these additional breakdowns have exceeded the minimum required to achieve correspondence between the two classifications. Moreover, the resulting new subgroups in both ISIC, Rev.3 and CBNE may make statistical observation difficult as many of them are hard to identify and separate. It has also been pointed out that there is no longer any need for a two-way conversion from CBNE to ISIC, Rev.3, since transition economy countries intend to adopt United Nations recommendations in sectoral classifications.

B. Evaluation of uses

1. Survey questionnaire on the uses of ISIC, Rev.3 and CPC

14. In compliance with the request of the Statistical Commission to review national and international work and the needs of countries in the field of implementation of ISIC, Rev.3 and the provisional CPC, 1/ the Statistical Division developed a questionnaire that was sent to national statistical offices with the intention of collecting information on the use, objectives and needs of countries in relation to ISIC, Rev.3, Provisional CPC and SITC, Rev.3. The responses were expected to help both the Statistical Division and the Commission to shape international work on statistical classifications, related methodology and technical cooperation.

15. The questionnaire consisted of four parts. Part I dealt with the national activity of industrial classifications and how they related to the ISIC, Rev.3. Part II asked for information on product classifications used for production, international trade and other purposes and their link to the provisional CPC. Part III contained questions concerning the treatment of services in the two classifications. Part IV sought to gather information on national needs, practices and experiences with the SITC, Rev.3, and its correspondence with the HS developed by the Customs Cooperation Council.

16. The questionnaire was drawn up in a way that made it as easy as possible to complete. In many cases a "yes" or "no" answer was sufficient; other questions asked for brief descriptions or specifications. In anticipation that in some countries more than one office might be responsible for completion, the questionnaire was designed for easy dispersion.

17. As of mid-December 1992, 75 countries or areas had replied to the survey. This represents a 40 per cent response rate.

18. The results of the survey have been summarized below in three separate tables and subsections. Table 1 and subsection (a) deal with organization of classification work, table 2 and subsection (b) deal with ISIC, Rev.3 and table 3 and subsection (c) present the results of the survey in so far as CPC is concerned.

(a) Organization of national classification work

19. The survey results concerning organization of the classification work (see table 1) show that, except in a few countries, national statistical offices are the responsible agents for maintaining activity and product classifications. Half of the countries report that they have a separate unit handling economic classifications, with an average staff of eight.

Table 1. Organization of national classification work

Topic	Countries or areas responding "yes"	
	Number	Percentage
Agency responsible for maintaining classifications:		
National statistical office	66	88
Others	7	9
Both	2	2
Availability of a separate classification unit within the statistical office	38	50
Availability of a coordinating mechanism for the harmonization of national classifications	42	56

20. More than half of the countries report that they have established a coordinating mechanism for the harmonization of economic classifications. Coordination of work in the field of economic classifications and harmonization of classification systems have been carried out in most cases by the national statistical office. This has been done on the basis of law assignment, in collaboration with selected central bodies of the state administration and with users of statistics. Some countries have found it useful to establish coordinating activities for specific subject matters only, in the form of task force groups established to discuss and formulate solutions to issues and problems that may arise. Only a few countries have created coordinating mechanisms on classification systems at the intergovernmental level.

(b) ISIC, Rev.3

21. Results of the survey concerning the implementation of ISIC, Rev.3 (see table 2) indicate that a majority of the countries surveyed use an ISIC-based type of activity classification. The remaining 19 countries do not currently use the ISIC. Most countries (49 per cent) using ISIC as the basis for their national classifications have derived them from the four-digit level of ISIC; the three-digit level is used by 11 countries (15 per cent); the two-digit level is used by 8 countries (11 per cent) and 1 country (1 per cent) uses the one-digit level. Two countries use ISIC, Rev.3 without modifications as their national classification.

22. Regarding the use of ISIC or ISIC-based classifications, 39 countries (52 per cent) indicate that they use their own ISIC-based classification for both internal and international purposes, while 20 countries (27 per cent) indicate that they use their own ISIC-based classification for international comparisons and international reporting purposes only.

23. ISIC-based classifications are being used by national statistical offices in the following fields: agricultural statistics, industrial statistics, national accounts statistics, service statistics, labour and demographic statistics, price statistics, wholesale and retail trade statistics, construction statistics, transport and communication statistics, and so on. National activity classifications are being used for sample surveys, census-type surveys, data-collection methods and for the collection of data through administrative records. The majority of responding countries use registers to classify statistical units. Based on the register, most data are collected by the national statistical offices for both enterprise-type and establishment-type units.

Table 2. Implementation of ISIC, Rev.3

Topic	Countries or areas responding "yes"	
	Number	Percentage
Availability of ISIC, Rev.3 publication at the statistical office	64	85
Kind of activity classification used in national statistical office:		
National classification other than ISIC-based	19	25
Classification derived from ISIC, Rev.1	4	5
Classification derived from ISIC, Rev.2	32	43
Classification derived from ISIC, Rev.3	20	27
Problems in using ISIC	23	31
Need for technical advice and cooperation in the process of implementation of ISIC, Rev.3	26	35
Availability of a register of statistical units for data collection	65	87
Type of observation units for data collection:		
Enterprise-type units	4	5
Establishment-type units	13	17
Both	58	77

24. Among the problems that have been reported by countries in using ISIC for national purposes are the following: for some local types of activity more detailed breakdowns are required than the ISIC's four digits can provide; a number of categories of ISIC do not represent the organization of certain economies; some parts of ISIC are too detailed, others too aggregated. Problems occur mostly in the area of service statistics, such as retail trade, sales of motor vehicles, car rentals, and so on. Some countries where tourism is a dominant sector of the economy require a specific classification for tourism activities.

25. It should be noted that ISIC, Rev.3 is not an all-inclusive activity classification and that all international classifications represent compromises. In general these classifications are structured in a way that allows different countries to adapt them to their particular requirements.

26. Results of the survey indicate that 26 countries wish to receive technical assistance in the area of activity classifications. In most cases some assistance is required in changing over from ISIC, Rev.2 to ISIC, Rev.3 in such a way that data coded under the new classification are easily transformed and are comparable to those based on ISIC, Rev.2. Consultancy assistance has also been requested in the definition of statistical units, the construction of activity classifications, the coding systems, the treatment of difficult borderline cases, and so on. A number of requests for training have also been received.

(c) CPC

27. The results of the survey concerning the implementation of provisional CPC (see table 3) show that countries consider the provisional CPC to be a useful tool for the presentation of the structural data on goods and services. The provisional CPC has also been found useful for the purposes of international comparability and harmonization of product data, as was indicated in several replies. However, some countries have found that better correspondence is needed between activities and products for some specific analyses based mostly on input-output tables; the provisional CPC is too similar to customs classification and therefore the service part needs to be further elaborated; a few inconsistencies exist in the contents of the provisional CPC, especially in its services part; businesses have been unable to provide information for some categories; and some categories are not statistically significant.

28. Of the responding countries, 28 have developed and use their own national product classifications, 15 use ISIC-based commodity codes and 9 have no product classifications. Concerning the intentions of countries to use the provisional CPC as the basis for their national product classifications, 24 responding countries envisage utilizing it, 14 have rejected the idea of using it and 37 countries are not sure whether or not they will use it in such a capacity. Most countries plan to apply CPC-based classifications in the fields of industrial, service and national accounts statistics, using sample surveys and census-type data collection. As for assistance in the implementation of the provisional CPC, 18 responding countries have indicated the need for technical advice or cooperation.

Table 3. Implementation of the provisional CPC

Topic	Countries or areas responding "yes"	
	Number	Percentage
Availability of the provisional CPC publication at the statistical office	48	64
Type of product classification used in national statistical office:		
National product classification	28	37
Provisional CPC	2	3
ISIC-based commodity codes	15	20
None	9	12
Others	21	28
Intention to use the provisional CPC	24	32
Problems in using the provisional CPC	11	15
Need for technical advice/cooperation in the process	18	24

2. Non-statistical uses of CPC

29. Since the provisional CPC was issued by the United Nations as an official publication and distributed world wide, a number of non-statistical organizations from different countries have requested it. For the most part these have been organizations closely linked to business circles, such as chambers of commerce, business associations, and procurement offices dealing with international shipments of goods and providing services world wide. According to their requests, these organizations have found the provisional CPC a useful tool, as it is a general-purpose classification that may be used for non-statistical purposes. They have indicated that the special feature of the provisional CPC that provides a detailed description of services has facilitated the creation of databases for their various business activities in a more unified manner. The Statistical Division is expected to receive more detailed information on the actual results of provisional CPC use in this field of operation.

30. Some international organizations have also expressed an interest in using the provisional CPC for non-statistical purposes. For example, in the United Nations Industrial Development Organization (UNIDO), the General Service Division of the Department of Administration processes a substantial number of purchase orders and contracts annually. UNIDO has indicated its intention to incorporate the provisional CPC into both its vendors roster and the inventory records which will be made a part of the vendors roster. The amount of processing and tracking of information involved, as well as the management of procurement and contracting activities, have together generated the need for a computerized solution. The provisional CPC, as a basic tool, integrates both goods and services into a single framework that is particularly suited to the needs of UNIDO.

C. Related activities

31. The Statistical Division is maintaining an inventory of statistical classifications, which was developed originally in response to a request by the Conference of European Statisticians (CES). Since April 1991, the date of its completion by the Statistical Division and its issuance as a CES document, 12/ it appeared that by publishing the inventory as an official United Nations document the United Nations could render a major service to both users and producers of statistics. The inventory now provides information on 57 statistical classifications, that is, the major economic classifications; population, housing and health classifications; and other classifications. The inventory of classifications was developed by the Statistical Division of the United Nations, in consultation with other international organizations and agencies that were producers of statistical classifications, and the Statistical Division will remain responsible for its continuous updating. A revised version of the inventory of statistical classifications, along with a request for updating and providing final comments prior to publication, will be circulated to organizations and agencies in 1993. It is intended to include periodic issues of this

publication in the regular programme of publications of the Statistical Division of the United Nations. Such issues will include updates and/or expansions of the list of classifications, to be compiled in close consultation with other international agencies responsible for classifications.

II. FUTURE WORK ON CLASSIFICATIONS

32. An important part of the activities of the Statistical Division in the area of economic classifications will be to continue and finalize the present work in support of ISIC, Rev.3 and CPC. In addition, it is proposed that work be initiated on functional classifications following the orientation presented in the revised SNA.

33. Paragraphs 34-41 below present a proposal for a programme on classifications to be executed in the context of the overall work of the global statistical system. In view of the limited resources of the Statistical Division of the United Nations and other international organizations active in this field of work, future work on classifications will need to be divided up between different international agencies, based on their specific expertise and the availability of human and financial resources. As ISIC, Rev.3, CPC, SITC, Rev.3 and HS are closely interrelated, it is essential that the statistical offices of international organizations, as well as individual countries with practical expertise, cooperate closely in their development.

A. Further work on ISIC, Rev.3 and CPC

34. The four correspondence tables between HS, ISIC, Rev.3, provisional CPC and SITC, Rev.3 are intended to be disseminated in a printed version as well as in a software version on PC diskettes. The software version is being developed in the database programme Paradox 3.5. Using such commercially available software should facilitate the ability of countries to convert their database from one classification to another. A limited number of copies of the draft correspondence tables in printed format are expected to be available for circulation to the members of the Commission and other participants at the current session.

35. Considerable changes in industrial structure and technological production processes have taken place since the indexes to ISIC, Rev.2 were developed, and it is recognized that the recoding of the indexes from ISIC, Rev.2 to Rev.3, as well as some minor adjustments made to date, will not be sufficient for operational use of the ISIC, Rev.3 index. It is therefore the intention of the Statistical Division to carry out further work on the indexes and apply more systematic changes to both the wording of the categories and the contents of the indexes.

36. It is proposed that, based on the comments received through the questionnaire on classifications and other channels, the provisional CPC be amended with a view to preparing a final draft version for presentation to the

Commission at its twenty-eighth session. The Voorburg Group on Services Statistics has agreed to assist the Statistical Division in this work.

B. Development of classifications for functional analysis

37. The revision of the System of National Accounts (SNA) 13/ implies new directions for classification work that may be relevant not only for national accounting but also for related areas of statistics and analysis based thereon. It is proposed that this new orientation in national accounting and related statistical work be reflected in additional classification activities. There are a number of features of the revised SNA which will determine the future direction of such classification work. The revised SNA, as distinct from national accounting practices based on the 1968 version, is a comprehensive system of analysis, which not only deals with production and specifically input-output analysis of the type supported by ISIC/CPC, but also includes many more types of analysis, such as income distribution and financial analyses, in which institutional sectors, in addition to activity breakdowns, play an important role. Furthermore, the revised SNA - through its chapters on applications of the system to special circumstances and analytical needs, satellite accounts and functional classifications - emphasizes the use of the system as a point of departure for alternative analyses of special socio-economic concerns and policies in the areas of environmental degradation and depletion, health, education, culture, research and development, population and family planning, informatics, social protection. These special analyses will need to be reflected in further work on ISIC and CPC, and in additional work on functional classifications of expenditures.

38. A first implication of the orientation of statistics and analysis described above is that further attention will need to be devoted to the development of institutional sector classifications, with particular emphasis on subsectors and the corresponding statistical units. The revised SNA includes the basic subsectoring. However, if countries wish to carry out studies dealing with details of individual sectors, particularly in respect of households and non-financial corporations, further breakdowns may need to be elaborated as part of an international classification of institutional sectors. Such classification may not only be useful for national accounting but may be utilized for other types of analysis outside national accounting. For instance, income distribution and poverty analysis would require a further breakdown of the household sector, financial analysis would require a further breakdown of the non-financial and financial corporate sectors and studies focusing on the public sector might require further breakdowns of the public sector.

39. Furthermore, future work on classifications will need to emphasize the development of functional classifications of expenditures. Such classifications would facilitate the identification of expenditures which are made by sectors of the economy in response to some of the concerns mentioned. In the revised SNA 13/ it is suggested that four types of functional

classifications be developed, namely, a "Classification of Household Expenditures by Purpose (COHEP)", a "Classification of Functions of Government (COFOG)", a "Classification of Purposes of Private Non-Profit Institutions (COPPI)" and a "Classification of Outlays of Market Producers by Purpose (COMPP)". These four classifications would be considered as special elaborations of a common functional classification which would be adjusted to the needs of selected sectors and their transactions. The commonality of the classifications would facilitate studies related to selected socio-economic concerns (e.g., health, education, environmental depletion and degradation) in which there is a need to identify expenditures made by several sectors of the economy, including government, households, non-profit institutions and enterprises, in order to assess general progress in these socio-economic areas in quantitative terms. At the same time, sector-specific classifications that would respond to specific analyses would be needed. In the case of "COHEP" the analysis would be focused on household consumption expenditures; "COFOG" would deal with all expenses of the government and "COPPI" with those of private non-profit institutions, including not only expenditures covered in consumption but also transfers, loans and other purchases of financial assets; and "COMPP" would deal with analysis of production costs and capital formation of market producers. Further study is needed in order to determine if a variety of socio-economic concerns could be handled by one common functional classification of expenditures, or whether a master functional classification will have to be developed, together with standard alternative groupings of the categories of this master classification, each responding to specific concerns.

40. As socio-economic objectives in government and other policies are pursued through production activities, analysis of the impact of such policies requires that supporting production activities and products be identified in ISIC and CPC. For instance, if educational policies are pursued by the Government, there is a need to determine which specific industries and products will be needed to support such policies, as well as what effect such policies will have on production and the generation of income and employment in those areas of production. Similarly, if the Government pursues environmental policies, recycling and other environmental protection activities supporting such policies will need to be identified in ISIC and CPC. The same argument holds with regard to policies responding to other socio-economic policies dealing with poverty eradication, family planning, research and development, improvement of housing conditions, defence activities, promotion of economic activities such as tourism, and so on. For this reason, it may be necessary to develop standard groupings of ISIC and CPC that will bring out the specific industries and products concerned. Such groupings could be identified on the model of the energy and tourism groupings now contained in the annexes to ISIC, Rev.3.

41. Furthermore, there is an increasing need to utilize microcomputer software in the development, management and restructuring of classifications. At present it is already clear how time-consuming it is to develop correspondence tables. If similar links have to be developed for each of the classifications, it is essential that more effective use be made of microcomputer software, both in the development of such classifications and in

the design of correspondence tables. The software to support these developments could also be used by countries in the conversion of data systems from one classification to another.

III. POINTS FOR DISCUSSION

42. Based on the information provided above on ongoing work and proposals for future work on classifications, the Commission may wish to:

(i) Take note of the work accomplished to date on correspondence tables between ISIC, Rev.3 and ISIC, Rev.2; between ISIC, Rev.3 and HS, SITC, Rev.3 and CPC; and on the indexes to ISIC, Rev.3;

(ii) Express its views on ISIC, Rev.3 and on how the remaining work in support of ISIC, Rev.3 implementation should be oriented to optimize its use by countries;

(iii) Express its views on future work to finalize the provisional CPC;

(iv) Express its views on the proposed future work programme on functional classifications of expenditures, in the light of the new directions embedded in the revised SNA;

(v) Provide its views on the coordination of activities among international, regional and other agencies that have expertise and are active in the classification work described in the present document.

Notes

1/ Official Records of the Economic and Social Council, 1991, Supplement No. 5 (E/1991/25), para. 170 (e).

2/ Ibid., para. 170 (b).

3/ International Standard Industrial Classification of All Economic Activities (Rev.3), Statistical Papers, Series M, No. 4, Rev.3 (United Nations publication, Sales No. E.90.XVII.11).

4/ Provisional Central Product Classification, Statistical Papers, Series M, No. 77 (United Nations publication, Sales No. E.91.XVII.7).

5/ Standard International Trade Classification (Rev.3), Statistical Papers, Series M. No. 34, Rev.3 (United Nations publication, Sales No. E.86.XVII.12).

6/ Official Records of the Economic and Social Council, 1989, Supplement No. 3 (E/1989/21), para. 95 (d).

Notes (continued)

7/ Official Records of the Economic and Social Council, 1991, Supplement No. 5 (E/1991/25), para. 97 and para. 100 (g).

8/ International Standard Industrial Classification of All Economic Activities (Rev.2), Statistical Papers, Series M, No. 4, Rev.2 (United Nations publication, Sales No. E.68.XVII.8).

9/ Indexes to the International Standard Industrial Classification of All Economic Activities (Rev.2), Statistical Papers, Series M, No. 4, Rev.2, Add.1 (United Nations publication, Sales No. E.71.XVII.8).

10/ Basic Methodological Principles Governing the Compilation of the System of Statistical Balances of the National Economy, Volume II, Statistical Papers, Series F, No. 17, Rev.1, vol. 2 (United Nations publication, Sales No. E.89.XVII.3).

11/ Correspondence Table Between the International Standard Industrial Classification of All Economic Activities of the United Nations (ISIC) and the Classification of Branches of the National Economy of the Council for Mutual Economic Assistance (CBNE) (United Nations publication, Sales No. E/R.85.II.E.29).

12/ International Classifications Used in Statistics, 1991 (CES/688).

13/ Final draft of the revised System of National Accounts (SNA) (PROV/ST/ESA/STAT/SER.F/2/Rev.4).